September 1997 Volume 22, Number 4

A special report on the proposed merger of the UCSF and Stanford medical centers

UCSF

To Our Neighbors

Smooth transition for patients ensured

When the union of UCSF and Stanford health care services becomes official, patients will have double the network of leading specialists, cutting-edge research and state-of-the-art technology available to them at the two world-class medical centers.

From the onset of merger discussions, UCSF and Stanford officials have said that the integration of health care services of these prestigious teaching hospitals — both ranked among the top ten hospitals nationwide — is the best way to enable both institutions to maintain preeminence in patient care, research and education.

Because UCSF and Stanford are 40 miles apart, the facilities in each location will continue to provide a full range of services. The merged enterprise will operate hospitals and outpatient practices in San Francisco, Palo Alto and other satellite locations. UCSF patients will continue to receive treatment from their current physicians and health care practitioners at the usual locations: Moffitt/Long Hospitals, UCSF/Mount Zion, the Ambulatory Care Center and the Medical Center's affiliated clinics.

"Over time, our patients will receive only improvements to the high caliber of care they have come to enjoy and expect at the UCSF Medical Center," says Bruce Schroffel, interim director of the UCSF Medical Center.

The plan to unite patient care services of UCSF and Stanford is expected to be voted on by UC

(see CARE inside)

Why are UCSF and Stanford merging?

The plan to merge UCSF and Stanford's hospitals and clinics into a new organization grew out of the conviction that the combined enterprise, UCSF Stanford Health Care, offers the best way to allow each university to continue teaching health professionals, searching for the causes of disease and bringing new treatments to patients.

"As the merger grows closer to reality, it becomes increasingly clear that the union of the UCSF Medical Center, Stanford and the Packard Children's Hospital promises to result in perhaps the finest teaching and research hospital in the world," says UCSF Chancellor Haile T. Debas, MD.

An editorial in the *San Francisco Chronicle* described the opportunities that lie ahead for the merged enterprise:

"Given (the reality of managed-care austerity), Stanford and UCSF could not find better partners than each other to maintain their special missions. They treat the uninsured. They train the next generation of doctors in innovative medicine. And they save lives and break new ground through research into technology too risky and expensive for hospitals devoted to the bottom line. . . All these assets are too precious to lose."

UCSF Stanford Health Care will operate as a vital, shared resource for both institutions, Debas says. An economically viable hospital plays an essential role in fulfilling the mission of the medical schools, and the current health care environment threatens the future of the UCSF Medical Center as a stand-alone institution, explains Debas.

"In the absence of a rational public policy on health care, the uncontrolled competition by for-profit HMOs for patient care dollars and managed care are threatening the existence of all teaching and research hospitals," Debas cautions.

It has become increasingly difficult for UCSF and Stanford to remain competitive in a ruthless health care environment dominated by managed care and Medicare and Medi-Cal cutbacks while operating under rules established two decades ago when the state helped build hospitals and pay for patient care, he adds.

Over the past 20 years, the rules governing the operation and funding of UCSF underwent significant change, resulting in the loss of much of the support for indigent patient care, building improvements, and services the public relies on UCSF to provide.

UCSF Medical Center operates as a completely self-supporting enterprise. It receives no state funds for capital improvements and hasn't since the early 1980s. Patient revenues pay for all

(see MERGER inside)

Cancer Center pursues national research status

Momentum continues at UCSF to create the first comprehensive cancer center in Northern California. An official designation of the National Cancer Institute, comprehensive cancer centers allow more patients to participate in clinical trials aimed at improving therapy for each type of cancer.

Chris T. Anderson

UCSF's Dr. Debu Tripathy shares a light moment with Susan Claymon while she sits through her chemotherapy infusion of an HER2/neu antibody developed by Genentech.

With the appointment of prominent molecular biologist Frank McCormick, PhD, to direct the UCSF Cancer Center, and the opening of the cancer research building this past spring, the center is making progress toward creating an investigational environment that defines and builds upon the standard of care.

"Obtaining the NCI designation will put us on the map as a major cancer center," says McCormick, who hopes to apply for the honor in 1998. "Its prestige should make us even more attractive."

The proposed merger between UCSF and Stanford will provide even more opportunities for cancer patients to obtain the best in cancer treatment, he says. Both Stanford and UCSF were ranked among the top 10 institutions for cancer care in "US News and World Report's" 1997 annual survey. McCormick expects the merger to allow each institution to draw on its strengths without duplicating efforts.

UCSF will take the lead in pursuing NCI designa-

(see CANCER inside)

UC Regents to vote on merger

UCSF stands on the brink of creating a historic clinical partnership with Stanford in the form of UCSF Stanford Health Care. UC Regents and Stanford Trustees are expected to consider giving their final approval to the integration of UCSF and Stanford patient care services when they meet in mid-September.

The boards will review a series of agreements, including plans that outline the facilities involved, clinical activities to be integrated, and define the specific assets and explain affiliations with the medical schools and other professional schools at UCSF.

"Ongoing discussions in our Schools of Dentistry, Nursing and Pharmacy continue to shed light on many potential opportunities for program development with UCSF Stanford Health Care," says UCSF Chancellor Haile Debas. "The absence of such schools at Stanford enables UCSF faculty in these three schools to propose new and exciting clinical, educational, and research opportunities to our mutual benefit."

UCSF Stanford to ensure public accountability

As officials at UCSF Stanford Health Care and Senator John Burton reached agreement recently on legislation related to the new organization's public accountability, officials say the merger process cleared a major hurdle.

UC Regents are expected to take a final vote on the merger on Friday, Sept. 19 at Laurel Heights.

Satisfying the "public's right to know," as Burton said, the two sides compromised on a bill that will require the new hospital to hold open meetings and to make records public. However, collective bargaining or other contract negotiations, sale of property, pending lawsuits and the terms of health care contracts will remain private to preserve the organization's ability to remain competitive in the health care marketplace.

Other state legislators who have subsequently signed the legislation are Assemblyman Kevin Shelley, Senator Quentin Kopp, Assemblywoman Carole Migden and Assemblyman Lou Papen.

UCSF Stanford will operate as a private non-profit public benefit corporation, the same status as virtually all community hospitals, other large health care institutions such as the Mayo Clinic, and major public service organizations such as the American Red Cross. As a tax-exempt organization, UCSF Stanford must report detailed information annually to federal and state taxing authorities, including all revenues and their sources, expenses, compensation paid to the five highest paid employees and contractors providing professional services, assets, fund balances, and net operating losses and gains. Any earnings of the new organization will be reinvested to support its teaching, research and academic missions. Its board of directors serves as volunteers and are not paid.

Indigent care to continue

One of the significant ways UCSF differs from its for-profit competitors is its commitment to the poor who seek medical attention.

As a teaching hospital it is a bastion of sophisticated disease-fighting methods, a training ground for future health care practitioners, and a locus of groundbreaking medical research. It is also one of the few safety nets for Northern California's neediest — uninsured and under-insured patients.

UCSF and Stanford have a long history of serving low-income, indigent patients. UCSF Stanford officials say that the merged medical center will be in a better economic position to continue providing health care services to the underserved than would be possible if the institutions operated separately.

And although future economic circumstances of teaching hospitals are too uncertain to make an absolute commitment to maintaining the current level of indigent care, Bill Kerr, chief operating officer at UCSF Stanford, says, "combined we can far better serve the public's interests."

To Our Neighbors

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UCSF & Stanford: On the frontier of medicine

UCSF Stanford Health Care promises to expand opportunities for patients to receive new treatments resulting from research discoveries made at each campus. This flow of knowledge from laboratories to clinics has resulted in many firsts for patients at UCSF and Stanford over the years. Among the highlights:

• Stanford surgeons Roy Cohn and Harry Oberhelman performed the **first kidney transplant** in California. Today, UCSF and Stanford perform more kidney transplants than any other medical center in the world.

• UCSF pediatrician John Clements discovered that the lungs of newborn infants who died of **respiratory distress syndrome** lacked a substance called surfactant, which he later helped to develop in synthetic form. His discoveries cut the death rate in half for premature babies with under-developed lungs.

• UCSF physician and researcher Y.W. Kan pioneered the field of prenatal diagnosis, developing the procedure that made possible the first **fetal DNA diagnostic test** to identify sickle cell anemia. Today, prenatal tests allow diagnosis of a wide range of diseases, including Huntington's disease and cystic fibrosis. Kan has recently devised and is refining a new, non-invasive approach to prenatal testing in which a small number of fetal cells are obtained from the mother's bloodstream for use in genetic analysis.

• Stanford's Ronald Levy achieved the first successful **use of monoclonal antibodies to treat cancer** in a human patient. He is a pioneer in the effort to develop cancer vaccines, using genetically engineered vaccines grown from patients' own tumors to stimulate the immune system.

• The world's first successful **fetal surgery** — correcting a life-threatening defect that could cause a baby to be stillborn or die shortly after birth — was performed by a UCSF team led by surgeon Michael Harrison, obstetrician and geneticist Mitchell Golbus, and radiologist Roy Filly.

• The first adult **human heart transplant** in the country and the first successful human heart-lung transplant in the world were performed at Stanford. A team led by surgeon Norman Shumway performed the heart transplant, and Shumway, along with Bruce Reitz, performed the heart-lung transplant.

• Discoveries by Stanford immunologist Hugh McDevitt were among the first to suggest that people may have predictable genetic susceptibilities to certain diseases. In recent years his work has **led to discovery of a protein that appears to be a root cause of Type 1 diabetes;** the protein has also succeeded in preventing the disease in animal studies. These findings may eventually lead to a treatment that stops diabetes before it starts.

• UCSF biochemists William Rutter and Howard Goodman were the first to **clo**
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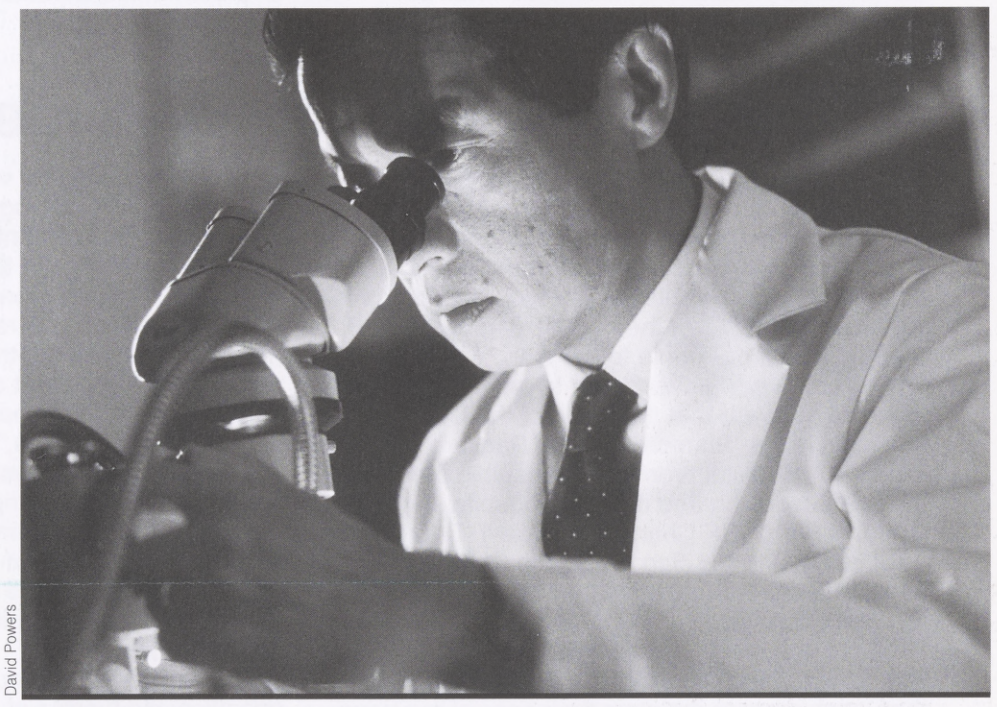
UCSF Stanford Health Care Statistics

	UCSF Medical Center	Stanford Health Services	L. Packard Children's Hospital	Combined
Available beds*	662	521	174	1,357
Hospital admissions*	24,774	28,180	5,909	58,863
Outpatient visits*	417,808	498,747	63,436	980,041
Full-time clinical faculty*	970	506	272	1,748
Employees	—	—	—	Over 10,000

*1995-96 Data



David Powers

Y.W. Kan

CARE (from the front)

Regents and Stanford Trustees in mid-September. If approved, the new organization will begin to function independently but collaboratively with the parent universities on November 1.

Exciting new partnerships in patient care are expected with the formation of UCSF Stanford. For example, health care practitioners in children's services of both campuses are already forming valuable alliances that represent the kind of benefits to be gained by collaboration.

"One of the most disturbing health issues at the moment is the rapid rise of childhood respiratory illness," says UCSF Chancellor and Dean of the School of Medicine Haile T. Debas. "Neither UCSF nor Stanford alone has the resources to develop the necessary pediatric pulmonary services, nor are such services available anywhere in Northern California. We believe we can develop such a program jointly with the merger. Indeed, the pediatric faculty at both universities see this as only one of many premier clinical areas they can expand."

Among the services patients can expect:

• Patients would continue to have these top-ranked teaching hospitals available to help with and treat difficult-to-diagnose rare conditions and diseases.

• Experimental treatments would continue to be offered for those with terminal diseases or other difficult-to-treat illnesses.

• Highly technical or specialized treatments such as neonatal intensive care, bone marrow transplants or neurosurgery would remain easily available at both sites.

• Important new lines of clinical research would open as both schools of medicine take advantage of the merged medical center's enhanced position as a laboratory for teaching tomorrow's health care providers.

• Smaller programs and services that can achieve substantial cost savings and for which people would be willing to travel might be combined at one location.

While patients may be concerned that their neighborhood hospital will become part of a larger organization, UCSF Stanford officials say the synergies between the two teaching hospitals are expected to improve service. For example, UCSF Stanford Health Care will have a single information system — a crucial and necessary tool for conducting clinical research. With a shared system, researchers will be able to learn from a larger patient population. This is important not only for conducting medical research and training of health care professionals, but also for gaining a competitive advantage in the health care marketplace, where teaching hospitals have long been vulnerable to forces to cut costs despite the added expense of their tripartite missions.

Open enrollment

If you are choosing an HMO health plan during the open enrollment period, be sure to choose Brown & Toland Medical Group as your health care provider. For a complete listing of health plans, call 1/800/CALLMDs.

MERGER (from the front)

renovations and improvements, including the recent construction of two new medical office buildings at UCSF/Mount Zion.

The only direct support UCSF Medical Center currently receives from the state comes in the form of an $11.8 million annual payment for clinical teaching support. These funds help reimburse some of the additional cost of the hospital's teaching mission and a small fraction of the cost of indigent patient care. After the merger is complete, these funds will flow to the UCSF School of Medicine to pay for the same services.

By freeing UCSF Medical Center to compete in the current marketplace, the merger ensures the public will continue to benefit from the University's work, officials say.

The UCSF School of Medicine depends on an active and economically sound hospital in several critical areas:

• Funds derived from patient care provided at the hospital pay 90 percent of the income of the teaching faculty in the clinical departments, support about 20 percent of research conducted at the medical school, and subsidize education in other ways.

• UCSF's ability to recruit and retain the best faculty, students, and medical residents depends on robust clinical services. Not only has the financial health of UCSF Medical Center been compromised in recent years, but the clinical income of the faculty has dropped significantly as reimbursement for clinical services has been drastically cut as a result of managed care.

• A wide and varied patient population is essential for medical education and the development of clinical skills. UCSF has one of the preeminent medical schools in the nation and the world, but with the reduction in the number of hospital patients, the school's ability to provide adequate clinical rotations and clinical experience for medical students has been compromised.

The merger will help preserve these essential functions but also promises to enhance the ability of the hospitals to provide the most advanced medical care to residents of Northern California.

The union of the separate medical centers will not merely create a larger enterprise; the combination will create new energy and greater opportunities. Joint programs that promise rapid and meaningful benefits to patients include a comprehensive clinical liver center, a bone marrow transplant partnership, collaboration in medicine, laboratory medicine and pharmacy to attack infectious diseases and the growing problem of antibiotic resistance, and advanced therapies to treat heart problems. Plans also are proceeding for a joint children's health center, cancer center and multiple programs in women's health.

"Doctors, researchers, and educators at both Stanford and UCSF feel growing excitement about the potential of the merger," says Debas. "We hope the residents of the Bay Area and Northern California will share that anticipation as the potential benefits of UCSF Stanford Health Care become real over the coming months and years."

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clone the gene for insulin, leading to the mass production of genetically engineered human insulin to treat diabetes.

• UCSF biochemist Herbert Boyer and Stanford geneticist Stanley Cohen were the first to **recombine genes** from different organisms to make protein. Their breakthrough formed the basis of the biotechnology industry, which in the area of human health offers an ever-expanding range of vaccines and treatments, including vaccines for hepatitis, insulin for diabetes, and clot-busting drugs for cardiovascular disease.

What's included in the merger?

UCSF Medical Center

Stanford Health Services (SHS) —includes Stanford University Hospital and the Stanford Faculty Practice Group

UCSF/Mount Zion

Lucile Salter Packard Children's Hospital at Stanford

UCSF Medical Group

Medical Centers' owned or affiliated clinics such as the UCSF Medical Group at Lakeshore, Menlo Clinic, Coastside Medical Group, etc.

What's not included in the merger?

UCSF Schools of Medicine, Nursing, Dentistry and Pharmacy

Stanford School of Medicine

San Francisco General Hospital

Langley Porter Psychiatric Institute

Veterans Affairs Medical Centers at San Francisco and Palo Alto

UCSF Fresno Medical Education Program

CANCER (from the front)

tion. Once that has been achieved, Stanford and UCSF's clinical research and patient services will be more easily integrated, McCormick says.

UCSF and Stanford each already receives more than $25 million annually from the National Cancer Institute for research. Long known as a major center for basic cancer research, UCSF is working to enhance clinical research by arranging to provide easier access for patients to enroll in clinical trials.

McCormick is director of both the Cancer Center and the Cancer Research Institute, which includes more than 250 researchers throughout the UCSF campus working on clinical and laboratory research as well as cancer prevention strategies. Many of the researchers will work in the new four-story cancer research building on Sutter Street. "There is definitely a feeling of coming together to build a team here. We have momentum in bringing clinical and research people to the center," he says.

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UCSF and Stanford's spirit of cooperation thrives in pediatrics

They had no intention of becoming pioneers.

But when two UCSF physicians began weekly visits to Lucile Packard Children's Hospital (LPCH) in Palo Alto to help kids with agonizing joint disorders lead more active lives, it was obvious that a new model of collaboration between UCSF and Stanford in patient care, research and education was taking shape.

Helen Emery, director of pediatric rheumatology at UCSF, says the aggressive multidisciplinary approach to care at Stanford is "a mirror of what we have here."

Every Friday, Emery or Emily von Scheven, assistant clinical professor of pediatrics at UCSF, works with a team of occupational and physical therapists, social workers and nurses to treat rheumatic diseases, chronic and degenerative afflictions that attack the joints, causing painful inflammation and stiffness and destroying soft cartilage and bone.

Debby Bolding, an occupational therapist at LPCH, helps patients maintain their strength and flexibility by teaching them how to remain active in their everyday lives, whether it is writing a letter or getting themselves dressed. "We want to make sure that children aren't left with permanent loss of movement," Bolding says.

And while experts agree that aggressive treatment is necessary to enable children to reach their full growth potential, being sensitive to the child's pain is just as important.

"We have to be careful not to impede their development," says von Scheven.

In the eyes of top officials at UCSF Stanford, Emery and von Scheven are pioneers who've brought back great news. Their experience — namely, the discovery that symmetry exists between the services at UCSF and Stanford — lends positive reinforcement to the notion that practitioners can come together and work almost seamlessly.

"What we're really hoping to do in the creation of UCSF Stanford children's health services is to bring all the people together who have a focus on children's needs," says Larry Shapiro, who chairs the department of pediatrics at UCSF.

Market forces have compelled some health care providers to focus on the bottom line and not the patient, resulting in cutbacks in expensive tertiary care for children. In some situations, says Shapiro, children in need of a pediatric-trained specialist might instead be treated at less initial cost by a physician with little or no experience in pediatrics. But when dealing with a complex rheumatic disorder, these savings for the health care plan come at great expense to the patient and, ultimately, the entire system.

A specialist who is not trained in pediatrics is clearly at a disadvantage, says von Scheven. "If they don't know what a normal six-year-old is supposed to look or act like, it's going to be even harder to treat a six-year-old who is ill," she says.

Shapiro has been working closely with his counterpart at Stanford, Harvey Cohen, to establish a unified program that is greater than the sum of its parts. Once UCSF and Stanford merge, 34 highly specialized pediatric services — roughly one-third of the new organization's total clinical services — will be available under one system.

"UCSF and Stanford show remarkable areas of compatibility," says Shapiro. "We have begun to develop a plan to offer the full range of pediatric programs, to enhance our outreach programs to many areas of California — while avoiding needless duplication — and to develop a children's health system of unparalleled quality."

Emery is already involved in delivering specialized treatment to children at Shriners Hospital in Sacramento and at UC Davis Medical Center.

The synergy between UCSF and Stanford is also a boon to research. Because successful studies hinge upon ample data, which is always in demand in the case of rare rheumatic diseases, scientists from both universities will benefit from shared information.

"By amassing the technical expertise, state-of-the-art equipment, and adequate patient population for study, we can ensure that the children's services of UCSF and Stanford will be at the forefront of patient care," Shapiro says.

— Brad Foss

For more information on pediatric rheumatology, call 476-1736.

Chris T. Anderson

UCSF's Dr. Helen Emery examines Millie Marin, 14, at Lucile Packard Children's Hospital.

Merger to create premier academic medical center for patients

Rationale for merger remains compelling in competitive environment

Children's services to benefit from synergy of top specialists

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Merger creates jobs, few layoffs

When UCSF Stanford Health Care begins operations, it's expected that the overwhelming majority of employees — more than 95 percent — from both medical centers will be offered jobs with the new organization.

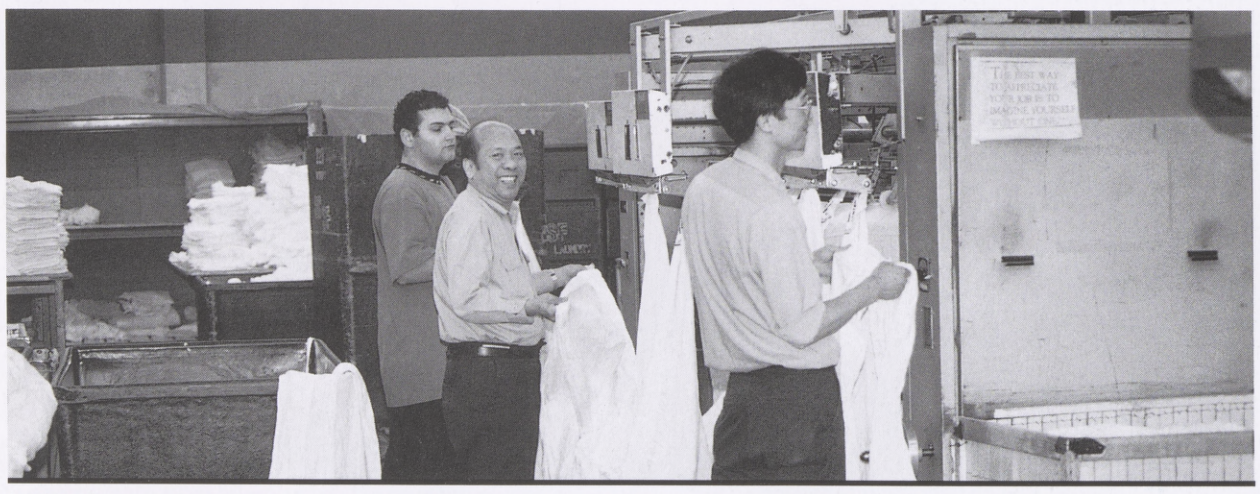
Attrition, existing job openings and previous restructuring and cost-cutting have combined to make the number of layoffs resulting from the merger minimal, says Bruce Schroffel, interim director of the UCSF Medical Center.

Indeed, UCSF officials note that both UCSF and Stanford have responded conservatively and aggressively to the competitive pressures brought on by managed care. Both institutions have already cut overhead costs, streamlined operations and services and increased patient volume.

By integrating services, the merged medical center is more likely to sustain financial health and achieve its primary goal of providing support to UCSF and Stanford's medical training and education without having to make even deeper cuts in programs and staff.

In laundry services, for example, UCSF Stanford Health Care announced that it will hire 23 additional full-time employees and will save $288,500 annually as UCSF's in-house laundry and linen services facility takes on the new business from Stanford, which had contracted with a private laundry service.

In related news, UCSF has offered some of its employees the option to remain employed with the University by being leased to the new enterprise. The leasing option is being made available to a specific group of employees who are eligible, based on age and years of service, to retain their UC retirement benefits.



UCSF's Oyster Point laundry facility will see 23 more employees hired as a result of the merger with Stanford.

SFGH, VAMC to remain independent after merger

The proposed merger of UCSF and Stanford patient care services will not include the UCSF-affiliated San Francisco General Hospital (SFGH) or the San Francisco Veterans Affairs Medical Center (VAMC).

The City and County of San Francisco owns and operates SFGH. Through a century of cooperation, the UCSF School of Medicine provides medical care at SFGH through its faculty and residents.

UCSF and the VAMC have a special affiliation in patient care, teaching and research. Most of the 591 VAMC physicians hold UCSF faculty appointments, and nearly 500 UCSF residents rotate through the VAMC for training each year.

The patient services, research, and training provided by the School of Medicine at the VAMC and SFGH will continue as before.

More news available on Daybreak, the online daily

Daybreak, UCSF's daily news publication, has tracked events and issues pertaining to the merger of UCSF and Stanford clinical services since the Public Affairs Department unveiled the electronic medium in April.

Daybreak offers readers a chance to keep current with the merger process as well as to look back at archives that document the progress UCSF Stanford Health Care has made over the months as plans move forward to its targeted November 1 start-up date.

For more information on the merger, please visit Daybreak at www.ucsf.edu/daybreak/